

## OFFICE OF U.S. SENATOR SHERROD BROWN

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### **BROWN HOLDS HEARING ON MANUFACTURING AND THE CREDIT CRISIS**

#### ***Senate Banking Subcommittee on Economic Policy Evaluates Challenges Facing Manufacturers during Current Credit Crisis***

WASHINGTON, D.C. – U.S. Sen. Sherrod Brown (D-OH), chairman of the U.S. Senate Banking Subcommittee on Economic Policy, today held a hearing entitled “Manufacturing and the Credit Crisis.” A copy of Brown’s opening statement, as prepared for delivery, follows:

*“Manufacturing is integrally tied to U.S. prosperity. It accounts for 12 percent - \$1.6 trillion - of U.S. Gross Domestic Product (GDP). It accounts for nearly three-fourths of the nation’s research and development. Yet today, we are facing an economic challenge few among us have witnessed and our manufacturing sector is in crisis.*

*“On Friday, the Labor Department reported the loss of 539,000 jobs in April, including 149,000 in manufacturing. There are 13.7 million unemployed Americans, raising the national unemployment rate to 8.9 percent – the highest rate in more than 25 years. And this doesn’t include the millions of Americans not working full-time. If you count underemployed Americans, the number is 22 million, or 15.8 percent.*

*“The true unemployment rate isn’t high, it is sky-high, and most of the job loss has occurred in the manufacturing sector. U.S. manufacturing has contracted for 15 consecutive months. According to the Federal Reserve Board, manufacturing output fell 2.7 percent in January 2009 to a level 13.1 percent below that of only 12 months earlier.*

*“These numbers only tell part of the story. Today there are manufacturers in Ohio and every state of the country trying to figure out how to remain viable. For these business owners, working families, and communities, the economic situation could not be more urgent.*

*“Earlier this year, an Ohio manufacturer wrote to me explaining the devastating reality shared by manufacturers around our nation: ‘We are getting squeezed on two sides. Our customers are demanding 60-90 day payment terms, and on the other end, suppliers are demanding cash down payments. We are seeing the small supplier cut back or close down routinely.’*

*“Today, we are fortunate to have witnesses with us who can better inform us on both the short and the longer-term challenges American manufacturers are facing, and how the financial markets are compounding the crisis. Like other states, Ohio has collateral damage from both manufacturing and the subprime crisis. When banks have addressed declining values in mortgages, there is evidence they limit credit to other sectors, like manufacturing.*

*“I hope today we can learn more about these trends and discuss some of the policy options Congress should consider to help manufacturers who play such a pivotal role in our economy.*

*“Since 1987, manufacturing’s share of GDP has declined more than 30 percent. That’s almost exactly the percentage increase in the financial services industry over the same time. As a percentage of all corporate profits in our country, the profits of the financial services industry have more than doubled over the past decade, to more than 40 percent.*

*“We need to understand where the changing economy is taking us.*

*“A continuing loss of U.S. manufacturing means a greater dependence on foreign factories to produce both everyday consumer goods and the key elements of our national security, including the building blocks of our nation’s infrastructure and the equipment crucial to our nation’s military.*

*“My point is not that the manufacturing sector is more important than other key sectors of our economy like the financial services sector. My point is that our nation needs to excel in both of these economic sectors to maintain our leadership in the global economy and our security in the global arena.”*